

BANCA SISTEMA

BUY

Sector: Banks

Price: Eu1.41 - Target: Eu2.60

Strong 3Q, Stronger Pipeline: Upgrade To BUY

Fabrizio Bernardi +39-02-77115.387

fabrizio.bernardi@intermonte.it

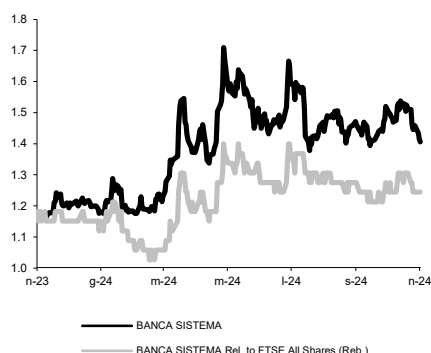
Stock Rating

Rating: from OUTPERFORM to BUY

Target Price (Eu): from 2.40 to 2.60

	2024E	2025E	2026E
Chg in Adj EPS	6.3%	5.2%	5.4%

BANCA SISTEMA - 12M Performance



Stock Data

Reuters code: BSTA.MI

Bloomberg code: BST IM

Performance	1M	3M	12M
Absolute	-7.5%	-2.4%	19.0%
Relative	-2.2%	-2.8%	6.7%
12M (H/L)		1.71/1.16	
3M Average Volume (th):		164.21	

Shareholder Data

No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	113
Total Mkt Cap (Eu mn):	113
Mkt Float - Ord (Eu mn):	61
Mkt Float (in %):	54.0%
Main Shareholder:	
SGBS	23.1%

Balance Sheet Data

Tangible Equity (Eu mn):	242
TEPS (Eu):	3.00
CET1 Ratio Fully Loaded:	13.2%
Gross NPE Ratio:	8.7%

Banca Sistema delivered a positive set of 3Q24 results, beating our estimates. What stands out even more clearly is the bank's strategic positioning, especially as it is set to benefit from a lower interest rate environment. This shift is expected to improve profitability in income-backed loans (CQ) while driving further growth in Factoring operations. Additionally, the Pawnbroking business continues to expand at a rapid pace. Given these favourable prospects, we are raising our TP to €2.60 and lifting our recommendation to BUY, highlighting BST's strong upside potential.

■ **3Q24 results.** In 3Q24, Banca Sistema's performance exceeded our expectations, showcasing robust revenue growth and disciplined cost of risk (CoR) control. Total income reached €30.2mn, exceeding our €27.4mn forecast by 10.1%, driven largely by strong gains in NII and trading income, with notable contributions from Ecobonus trading, underscoring the bank's ability to leverage niche opportunities. Operating costs were €17.8mn, slightly above our forecast of €17.0mn, influenced by increased FTEs, the impact of renewal of the national sector employment contract, and a higher bonus pool. Nonetheless, the cost/income ratio remained efficient at 59%, reflecting effective cost management. Net income for the quarter came in at €6.3mn, surpassing our estimate of €5.3mn by 19.7%. Moreover, the CET1 FL ratio rose to 12.9%, marginally above our 12.6% forecast. This improvement was driven by income accrued during the period and the reabsorption of the HTCS reserve, which strengthened the capital position and offset the increase in RWA.

■ **Outlook.** During the conference call, management highlighted positive future cost of funding trends, expected to fall further in 4Q and reach c.3.3/2.8% in 2025/2026, which will benefit the CQ business and BST's margins. We also see a further increase in Factoring turnover, as well as continuous growth in Pawn loans lending. Management also disclosed approval of an SRT transaction on a CQ loan portfolio to reduce RWA by c.€100mn.

■ **Change in estimates.** Given the positive outlook and the even better trends expected in 4Q and the coming years, we are revising our estimates upwards. We see higher NII in the coming years on higher factoring results and a rising contribution from CQ loans, but we also forecast a decrease in Ecobonus trading, as well as some lower fees. We land at operating profit increases of +12.9%/+7.2%/+4.6%. We are also revising our CoR forecasts up for FY24/25 in light of a more cautious approach by the bank. After upgrading our FY24 tax rate, we arrive at FY24 net profit of €18.4mn, implying €6.1mn in 4Q24. Overall, the FY24/25/26 adj. EPS changes are +6.3%/+5.2%/+5.4%.

■ **BUY (from OUTPERFORM); target €2.60 (from €2.40).** We think the bank is on the right track to bump up profitability and further strengthen its capital position (now seen at 15.2% in 2026) in the coming years. For these reasons, we are updating our estimates and valuation, reaching a target price of €2.60. Given the strong upside potential, and the positive trends the bank is riding, we are upgrading BST to a BUY recommendation. The stock is trading at 0.47/0.43/0.40x its FY24/25/26 TE. At target it would trade at 0.87/0.80/0.74x its FY24/25/26 TE.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	106	104	116	130	135
Net Operating Profit (Eu mn)	46	36	44	52	56
Net Profit Adj (Eu mn)	22	17	19	29	32
EPS New Adj (Eu)	0.274	0.213	0.232	0.361	0.403
EPS Old Adj (Eu)	0.274	0.213	0.218	0.343	0.382
DPS (Eu)	0.065	0.065	0.073	0.090	0.101
P/E Adj	5.1	6.6	6.1	3.9	3.5
Div. Yield	4.6%	4.6%	5.2%	6.4%	7.2%
P/TE	0.53	0.49	0.47	0.43	0.40
ROTE	10.4%	7.4%	7.7%	11.1%	11.4%

DISCLAIMER (for more details go to [DISCLAIMER](#))**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte SIM S.p.A. is acting as ECM advisor and placement agent in AQUAFIL's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte will receive fees from the company for its activity as ECM Advisor and placement agent.

Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aquafil, Civitanavi Systems, Cy4Gate, Esprinnet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, El.En, Elica, Emak, Esprinnet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, GPI, Greenthesis (formerly Ambienthesis), IEG, IndelB, Intred, Luve, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharmedura, Relatech, Reply, Revo Insurance, Reway, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, SyS-Dat Group, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider and/or Specialist and/or Corporate Broker on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifire S.p.A., B&C Speakers, Casta Diva Group, Cleanbnb, Coffe, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, DHH, Digital Bros, Digital Magics, Digitouch, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinnet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GM Leather, GPI, Green Oleo, High Quality Food, Ikonisi, Intercos, Intred, ISCC Fintech, Lemon Sistemi, Lventure Group, Maps Group, Mare Group, Masi Agricola, Matica Fintec, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Redfish Long Term Capital, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, WIIT, Zest.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
-----------	---	------------

© Copyright 2024 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available